

DUN & BRADSTREET CORP/NW
Form 10-Q
August 02, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission file number 1-15967

The Dun & Bradstreet Corporation

(Exact name of registrant as specified in its charter)

Delaware 22-3725387
(State of (I.R.S. Employer
incorporation) Identification No.)

103 JFK Parkway, Short Hills, NJ 07078
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (973) 921-5500

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one:)

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Title of Class	Shares Outstanding at June 30, 2016
Common Stock, par value \$0.01 per share	36,306,937

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PART I. UNAUDITED FINANCIAL INFORMATION

Item 1. Financial Statements

The Dun & Bradstreet Corporation

Consolidated Statements of Operations and Comprehensive Income (Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
	(Amounts in millions, except per share data)			
Revenue	\$ 398.8	\$ 375.4	\$ 773.8	\$ 731.6
Operating Expenses	133.0	136.4	265.4	267.4
Selling and Administrative Expenses	196.1	161.9	359.4	304.8
Depreciation and Amortization	17.3	14.1	33.7	26.5
Restructuring Charge	5.9	4.8	15.6	9.6
Operating Costs	352.3	317.2	674.1	608.3
Operating Income	46.5	58.2	99.7	123.3
Interest Income	0.5	0.4	1.0	0.8
Interest Expense	(13.4)	(11.8)	(26.9)	(23.2)
Other Income (Expense) - Net	(0.5)	(1.5)	0.3	1.8
Non-Operating Income (Expense) - Net	(13.4)	(12.9)	(25.6)	(20.6)
Income Before Provision for Income Taxes and Equity in Net Income of Affiliates	33.1	45.3	74.1	102.7
Less: Provision for Income Taxes	14.2	15.7	25.2	33.4
Equity in Net Income of Affiliates	1.0	1.3	1.7	2.0
Net Income from Continuing Operations	19.9	30.9	50.6	71.3
Less: Net Income Attributable to the Noncontrolling Interest	(1.1)	(1.3)	(1.8)	(2.2)
Net Income from Continuing Operations Attributable to Dun & Bradstreet	\$ 18.8	\$ 29.6	\$ 48.8	\$ 69.1
Income from Discontinued Operations, Net of Income Taxes (1)	—	0.7	—	2.2
Loss on Disposal of Business, Net of Income Taxes (1)	—	(38.2)	—	(38.2)
Loss from Discontinued Operations, Net of Income Taxes	—	(37.5)	—	(36.0)
Net Income (Loss) Attributable to Dun & Bradstreet	\$ 18.8	\$ (7.9)	\$ 48.8	\$ 33.1
Basic Earnings Per Share of Common Stock:				
Income from Continuing Operations Attributable to Dun & Bradstreet Common Shareholders	\$ 0.52	\$ 0.82	\$ 1.35	\$ 1.92
Loss from Discontinued Operations Attributable to Dun & Bradstreet Common Shareholders	—	(1.04)	—	(1.00)
Net Income (Loss) Attributable to Dun & Bradstreet Common Shareholders	\$ 0.52	\$ (0.22)	\$ 1.35	\$ 0.92
Diluted Earnings Per Share of Common Stock:				
Income from Continuing Operations Attributable to Dun & Bradstreet Common Shareholders	\$ 0.51	\$ 0.81	\$ 1.34	\$ 1.90
Loss from Discontinued Operations Attributable to Dun & Bradstreet Common Shareholders	—	(1.03)	—	(0.99)
Net Income (Loss) Attributable to Dun & Bradstreet Common Shareholders	\$ 0.51	\$ (0.22)	\$ 1.34	\$ 0.91
Weighted Average Number of Shares Outstanding-Basic	36.3	36.1	36.2	36.0
Weighted Average Number of Shares Outstanding-Diluted	36.6	36.4	36.5	36.4
Cash Dividend Paid Per Common Share	\$ 0.48	\$ 0.46	\$ 0.97	\$ 0.93
Other Comprehensive Income, Net of Income Taxes:				
Net Income from Continuing Operations	\$ 19.9	\$ 30.9	\$ 50.6	\$ 71.3

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Loss from Discontinued Operations, Net of Income Taxes (1)	—	(37.5)	—	(36.0)
Net Income (Loss)	19.9	(6.6)	50.6	35.3
Foreign Currency Translation Adjustments, no Tax Impact	9.9	(10.4)	(12.3)	(54.1)
Defined Benefit Pension Plans:				
Prior Service Costs, Net of Tax Benefit (Expense) (2)	(0.2)	—	(0.4)	(0.1)
Net Actuarial Gain, Net of Tax Benefit (Expense) (3)	6.0	6.6	12.0	13.2
Total Other Comprehensive Income (Loss)	15.7	(3.8)	(0.7)	(41.0)
Comprehensive Income (Loss), Net of Income Taxes	35.6	(10.4)	49.9	(5.7)
Less: Comprehensive Income Attributable to the Noncontrolling Interest	(1.1)	(1.1)	(1.7)	(1.8)
Comprehensive Income (Loss) Attributable to Dun & Bradstreet	\$ 34.5	\$ (11.5)	\$ 48.2	\$ (7.5)

Tax Benefit (Expense) of \$(0.1) million and \$2.2 million during the three month and six month periods ended June (1)30, 2015, respectively. See Note 14 to the unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q for further detail.

Tax Benefit (Expense) of \$0.1 million during the three months ended June 30, 2016 and no tax impact during the (2)three months ended June 30, 2015. Tax Benefit (Expense) of \$0.2 million and \$0.1 million during the six months ended June 30, 2016 and 2015, respectively.

Tax Benefit (Expense) of \$(3.1) million and \$(3.5) million during the three months ended June 30, 2016 and 2015, (3)respectively. Tax Benefit (Expense) of \$(6.4) million and \$(7.3) million during the six months ended June 30, 2016 and 2015, respectively.

The accompanying notes are an integral part of the unaudited consolidated financial statements.

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Consolidated Balance Sheets (Unaudited)

	June 30, 2016	December 31, 2015
	(Amounts in millions, except per share data)	
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 379.1	\$ 365.7
Accounts Receivable, Net of Allowance of \$22.4 at June 30, 2016 and \$20.6 at December 31, 2015	411.1	523.5
Other Receivables	19.8	13.7
Prepaid Taxes	6.4	6.4
Deferred Income Tax	—	12.0
Other Prepays	35.9	36.7
Other Current Assets	1.7	1.6
Total Current Assets	854.0	959.6
Non-Current Assets		
Property, Plant and Equipment, Net of Accumulated Depreciation of \$54.7 at June 30, 2016 and \$54.3 at December 31, 2015	34.3	27.2
Computer Software, Net of Accumulated Amortization of \$363.3 at June 30, 2016 and \$348.1 at December 31, 2015	110.7	102.6
Goodwill (Note 15)	703.9	704.0
Deferred Income Tax	104.7	93.8
Other Receivables	3.6	4.2
Other Intangibles (Note 15)	312.1	326.2
Other Non-Current Assets	39.6	48.9
Total Non-Current Assets	1,308.9	1,306.9
Total Assets	\$ 2,162.9	\$ 2,266.5
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 54.6	\$ 31.3
Accrued Payroll	76.8	108.8
Accrued Income Tax	14.6	28.7
Short-Term Debt	20.0	20.0
Other Accrued and Current Liabilities (Note 6)	142.5	122.6
Deferred Revenue	630.5	647.8
Total Current Liabilities	939.0	959.2
Pension and Postretirement Benefits	525.8	558.0
Long-Term Debt	1,715.6	1,797.0
Liabilities for Unrecognized Tax Benefits	8.9	8.3
Other Non-Current Liabilities	50.5	49.3
Total Liabilities	3,239.8	3,371.8
Contingencies (Note 7)		
EQUITY		
DUN & BRADSTREET SHAREHOLDERS' EQUITY (DEFICIT)		
Series A Junior Participating Preferred Stock, \$0.01 par value per share, authorized - 0.5 shares; outstanding - none	—	—
Preferred Stock, \$0.01 par value per share, authorized - 9.5 shares; outstanding - none	—	—

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Series Common Stock, \$0.01 par value per share, authorized - 10.0 shares; outstanding - none	—	—
Common Stock, \$0.01 par value per share, authorized - 200.0 shares; issued - 81.9 shares	0.8	0.8
Capital Surplus	296.6	292.2
Retained Earnings	2,946.5	2,932.8
Treasury Stock, at cost, 45.6 shares at June 30, 2016 and 45.8 shares at December 31, 2015	(3,367.7)	(3,377.1)
Accumulated Other Comprehensive Income (Loss)	(966.2)	(965.5)
Total Dun & Bradstreet Shareholders' Equity (Deficit)	(1,090.0)	(1,116.8)
Noncontrolling Interest	13.1	11.5
Total Equity (Deficit)	(1,076.9)	(1,105.3)
Total Liabilities and Shareholders' Equity (Deficit)	\$2,162.9	\$ 2,266.5

The accompanying notes are an integral part of the unaudited consolidated financial statements.

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The Dun & Bradstreet Corporation

Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended June 30,	
	2016	2015
	(Amounts in millions)	
Cash Flows from Operating Activities:		
Net Income	\$ 50.6	\$ 35.3
Less:		
Loss on Disposal of Business, Net of Income Taxes	—	(38.2)
Income from Discontinued Operations	—	2.2
Net Income from Continuing Operations	\$ 50.6	\$ 71.3
Reconciliation of Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	33.7	26.5
Amortization of Unrecognized Pension Loss	17.8	20.3
Income Tax Benefit from Stock-Based Awards	3.9	5.9
Excess Tax Benefit on Stock-Based Awards	(0.4)	(2.8)
Equity-Based Compensation	9.7	7.4
Restructuring Charge	15.6	9.6
Restructuring Payments	(20.7)	(8.2)
Changes in Deferred Income Taxes, Net	(1.6)	—
Changes in Accrued Income Taxes, Net	(17.4)	(15.6)
Changes in Current Assets and Liabilities, Net of Acquisitions:		
(Increase) Decrease in Accounts Receivable	105.2	127.4
(Increase) Decrease in Other Current Assets	1.0	8.7
Increase (Decrease) in Deferred Revenue	(17.6)	(10.5)
Increase (Decrease) in Accounts Payable	23.1	14.5
Increase (Decrease) in Accrued Liabilities	(2.9)	(32.9)
Increase (Decrease) in Other Accrued and Current Liabilities	—	0.5
Changes in Non-Current Assets and Liabilities, Net of Acquisitions:		
(Increase) Decrease in Other Long-Term Assets	12.0	9.9
Net Increase (Decrease) in Long-Term Liabilities	(31.3)	(19.2)
Net, Other Non-Cash Adjustments	0.2	(0.4)
Net Cash Provided by Operating Activities from Continuing Operations	180.9	212.4
Net Cash Provided by Operating Activities from Discontinued Operations	—	5.3
Net Cash Provided by Operating Activities	180.9	217.7
Cash Flows from Investing Activities:		
Payments for Acquisitions of Businesses, Net of Cash Acquired	—	(444.2)
Cash Settlements of Foreign Currency Contracts	(6.8)	(5.4)
Capital Expenditures	(9.5)	(4.8)
Additions to Computer Software and Other Intangibles	(23.4)	(24.6)
Net, Other	—	(0.1)
Net Cash Used in Investing Activities from Continuing Operations	(39.7)	(479.1)
Net Cash Used in Investing Activities from Discontinued Operations	—	(2.4)
Cash Flows Used In Investing Activities	(39.7)	(481.5)
Cash Flows from Financing Activities:		
Net Proceeds from Stock-Based Plans	4.0	5.5
Payment of Debt Issuance Costs	—	(3.9)
Proceeds from Issuance of Long-Term Debt	—	298.8

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Payments of Dividends	(35.0)	(33.3)
Proceeds from Borrowings on Credit Facilities	220.4	728.9
Payments of Borrowings on Credit Facilities	(293.0)	(894.0)
Payments of Borrowings on Term Loan Facilities	(10.0)	—
Excess Tax Benefit on Stock-Based Awards	0.4	2.8
Payment for Capital Lease and Other Long-Term Financing Obligation	(0.2)	(0.3)
Net, Other	(1.5)	(0.2)
Net Cash (Used in) Provided by Financing Activities from Continuing Operations	(114.9)	104.3
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(12.9)	(14.6)
Increase (Decrease) in Cash and Cash Equivalents	13.4	(174.1)
Cash and Cash Equivalents, Beginning of Period	365.7	319.4
Cash and Cash Equivalents, End of Period	\$ 379.1	\$ 145.3
Cash and Cash Equivalents of Discontinued Operations, End of Period	—	7.5
Cash and Cash Equivalents of Continuing Operations, End of Period	\$ 379.1	\$ 137.8
Supplemental Disclosure of Cash Flow Information:		
Cash Paid for:		
Income Taxes, Net of Refunds	\$ 40.3	\$ 43.1
Interest	\$ 26.8	\$ 22.6

The accompanying notes are an integral part of the unaudited consolidated financial statements.

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The Dun & Bradstreet Corporation

Consolidated Statements of Shareholders' Equity (Deficit) (Unaudited)

For the Six Months Ended June 30, 2016 and 2015

(Amounts in
millions)

	Common Stock (\$ Par Value)	Capital Surplus	Retained Earnings	Treasury Stock	Cumulative Translation Adjustment	Pension Liability Adjustment	Total Dun & Bradstreet Shareholders Equity (Deficit)	Noncontrolling Interest	Total Equity (Deficit)
Balance, December 31, 2014	\$ 0.8	\$279.3	\$2,831.1	\$(3,392.4)	\$(233.4)	\$(688.7)	\$(1,203.3)	\$ 8.7	\$(1,194.6)
Net Income	—	—	33.1	—	—	—	33.1	2.2	35.3
Payment to Noncontrolling Interest	—	—	—	—	—	—	—	(0.1)	(0.1)
Equity-Based Plans	—	4.9	—	11.2	—	—	16.1	—	16.1
Pension Adjustments, net of tax expense of \$7.2	—	—	—	—	—	13.1	13.1	—	13.1
Dividend Declared	—	—	(33.6)	—	—	—	(33.6)	—	(33.6)
Change in Cumulative Translation Adjustment	—	—	—	—	(53.7)	—	(53.7)	(0.4)	(54.1)